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MONTHLY PROJECTIONS
February 1987

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WHAT IS HAPPENING TO AMERICAN PRODUCTIVITY?

During the fourth quarter, productivity in the private nonfarm economy fell at an annual rate of 2.2%. Such a decline is not surprising when economic growth slows abruptly, as it did to a 1.3% GNP gain during the fall. Normally, employers like to maintain stable hiring schedules. If activity falls hours initially are reduced. If activity is expected to remain light, then reductions in hiring programs are initiated. Thus, the fourth quarter poor productivity performance normally would be followed by a reduction in hours during the first quarter unless a substantial spurt in economic activity began to materialize.

Economic activity is strengthening early in 1987, but the gains appear to be in inventory accumulation and a modest improvement in the trade accounts. While some inventory rebuilding is necessary, as manufacturers were liquidating inventories almost through the previous year, a 0.5% monthly gain in manufacturing inventories in January soon should lead to relatively full warehouses if it persists. Moreover, the slump in manufacturing orders in January suggests that much of the orders spurt during the fourth quarter was induced by attempts to get equipment delivered before the new tax year began. In other words, producers probably over-estimated the sustainability of orders growth that developed during the fall.

Nevertheless, both the work week and employment have grown at a faster rate during the first quarter. The preliminary index of hours worked for February is 7.4% above fourth quarter averages at annual rates. Even with a significant inventory rebound during the first quarter, economic activity probably is only growing in the vicinity of 3 - 3.5%. Thus, productivity continues to deteriorate. To be sure, the manufacturing sector is not joining in this poor productivity performance. While hours worked are increasing in that sector, industrial activity appears to be growing at least in pace. Rather, most of the poor productivity performance appears to be in the distribution and service industries. Some of the productivity weakness in the service economy may be the result of measurement errors. As many service activities are "made to order", it is difficult to evaluate the effectiveness of performing activities. Thus, many service activities are evaluated in terms of their inputs rather than on the basis of some independently measured outputs.

However, productivity weakness in the distribution industries is more disturbing. Apparently, customer convenience has been met at the expense of the amount of customers being served per employee. This could be the end of a growth cycle, especially in retail establishments, where stores have grown more rapidly than customers. Part of this growth may have been stimulated by developers, who built units ahead of population needs and then enticed department chains into the shopping areas with rent concessions and the fear that their competitors may get there first. To the extent that developer overbuilding is responsible for rapid hiring activity in retail establishments, these employment gains should slow as financing of such construction efforts begins to diminish.

Nevertheless, the surprisingly poor productivity gains raise serious questions about inflationary pressures in 1987. Most analysts assume that wage costs per hour worked will not grow any more rapidly in 1987 than 1986. Early wage surveys suggest that such an assumption is valid. Then, assuming that modest productivity gains will materialize, unit labor costs are projected to increase less than 2.5% in 1987. Allowing for increases in raw material costs, especially as energy prices are drifting upward, and also allowing for some inflationary pressures from higher import prices, inflation projections between 3% and 3.5% appear to be valid. However, the hours worked during the first quarter suggest that there will be no productivity gains in 1987 and there may actually be a slight decline in productivity. If so, unit labor costs could be increasing as much as 3.5% to 4.0%. Again, adding some price increases for imported goods and rising oil prices, inflation rates in excess of 4% could easily materialize.

In the meantime, Saudi Arabia has once again accepted the role as the swing producer. Because of that country's refusal to sell oil at less than $18 per barrel, the amount of oil shipped from Saudi Arabia will decline sufficiently to remove any oil excesses that otherwise will prevail at $18 per barrel. Therefore, oil prices now are expected to be higher in 1987 than in 1986, when prices averaged $16.07 for imported oil. This price increase means that oil will be 5% more expensive than originally anticipated. Assuming fuel oil prices rise by half that amount (for coal and natural gas prices should not reflect fully the new, higher oil prices), our estimates of inflation must be marked up by 0.4% for 1987. Of course, if Saudi Arabia continues to be the swing producer in maintaining $18 per barrel in 1988, oil inflation in that year will be slightly less than contained in our forecast.

The poor productivity gains outside of manufacturing that appear to be developing suggest that corporate profitability may not improve as much in 1987 as originally projected. Furthermore, higher projected inflation rates than originally anticipated suggest that interest rates may be higher toward the end of the year than originally expected. The combined effects of reduced earnings gains and rising interest rates suggests that stock market values should be vulnerable to a signficant downside movement during the second half of this year. Indeed, stock market values appear to be in excess of what can be justified by normal valuation formulas. However, a significant correction may not develop until interest rates begin rising, which is not anticipated until the late summer months.

Quarterly Profile of GNP

	1986-4	1987-1	1987-2	1987-3	1987-4	1988-1	1987 Annual
Real:	1.3	3.6	2.7	1.5	2.5	2.2	2.4
Price:	0.7	3.5	3.8	4.2	4.4	4.4	3.1
Nominal:	1.9	7.3	6.6	5.8	6.9	6.7	5.5

Monthly Statistical Highlights for February 1987

Personal income +0.4%; savings rate 3.0%; personal consumption +1.2%; retail sales +2.1%; auto sales 9.7 million units; housing starts -4.2%; housing permits -2.0%; construction expenditures -0.3%; business inventories +0.6%; orders for durable goods +4.5%; orders for nondefense capital goods +3.7%; industrial production +0.6%; CPI +0.5%; PPI +0.5%; consumption deflator +0.3%; leading indicators +0.6%; real GNP 5.6%; M1 -1.0%; M2 +1.8%.

Monthly Statistical Highlights for March 1987

Payroll employment +211,000; index of hours worked +0.2%; household employment +247,000; civilian unemployment rate 6.6%; personal income +0.5%; savings rate 2.9%; personal consumption +0.5%; retail sales +0.4%; auto sales 9.7 million units; housing starts -1.2%; housing permits -1.9%; construction expenditures +0.3%; business inventories +0.5%; orders for durable goods +0.8%; orders for nondefense capital goods +3.8%; industrial production +0.2%; CPI +0.3%; PPI +0.5%; consumption deflator +0.2%; leading indicators -0.4%; real GNP +5.3%; M1 +6.4%; M2 +6.4%.

COMMENTARY

Employment - Almost all the employment indicators in February were surprisingly robust. Payroll employment increased 337,000 while goods production increased 50,000. However, more than 30,000 of the gain in goods production was the result of strikers returning to work in the steel and machinery industries. The manufacturing work week expanded by 0.3 hours to reach its highest level of the cycle. Hours also expanded for the total economy. The index of hours worked in the private economy rose a surprisingly robust 1.1%. Furthermore, the hourly earnings index rose a strong 0.5%. Obviously, such gains imply strong growth in wage earnings during the month. As mentioned above, the increase in hours worked is a surprise because orders are again falling off. Most economic activity appears to be producing for inventory. One possibility for this surprising increase in the work week may be an attempt to catch up for production that had been lost during severe winter storms between the two employment survey weeks. If that proves to be the case, the hours worked will be overstating the true amount of hours used throughout the month.

The diffusion index was reasonably strong at more than 59%. However, the previously announced 61% gain in the diffusion index for January was revised downward to show a relatively sluggish 53% gain.

Personal Income and Outlays - Wage income should increase sharply in February as a result of the expansion in hours and earnings. In addition, farm income should rebound from an unusually low level in January. On the other hand, interest payments are continuing to decline while transfer payments should slow following inflation adjustments in January. Because of problems with the W-4, many workers have not adjusted their estimated allowances to conform with the reduced deductibility permitted under the new tax codes. However, withholding tables per allowance have been reduced because of the decline in the marginal tax rates and the increased deductions and exemptions. As a result, many workers will be under-withheld during the first half of this year. This will significantly slow tax collections and possibly add as much as a percentage point to disposable income during this time.

The return of automobile incentives has once again excited automobile sales. Nevertheless, the unusually low savings rate should prevent any surge in automobile sales during 1987. Low savings should persist through most of the year because of the consumption effects associated with substantial stock market gains. Service outlays should grow more slowly in February following a sharp rebound for financial services in January. Price effects will be much more dominant in the increase in purchases of nondurables as both food and gasoline prices are rising early in 1987.

Construction - Housing permits remain surprisingly robust in January despite the sharp decline in permits in the west. Apparently, the big increase in permits occurred in the midwest and may be related to unusually mild weather. The weather was more normal in February and should generate slower housing activity.

Other construction outlays may also have been influenced by the weather. Although nonresidential construction is continuing to fall sharply, there was a rebound in public construction. In addition, the rebound in housing starts was reflected in residential construction expenditures. Those expenditures should continue to rise for the next few months, barring weather problems. However, the continuing sharp falloff in nonresidential activity should lead to significantly lower construction expenditures in the second half of 1987 than had previously been anticipated.

Business Activity - Manufacturing inventories increased sharply in January and are projected to continue growing, but at slower rates in subsequent months. This increase in inventories appears to be desired as a result of unanticipated increases in orders during the fall. However, orders have since fallen sharply. Part of the weakness in orders during January reflects a surprisingly large $4.5 billion reduction in machinery orders. This may be related to the shift in depreciation accounting that occurred in January. If so, a gradual increase in orders will then materialize in the months ahead. The drop in defense shipments is more difficult to explain. Possibily, this was partially the result of bad weather. It is also possibile that some of the weakness in January orders was the result of many airports in the east being closed for several days during the month. If so, a rebound should be anticipated in February and beyond.

Prices - Only half the PPI energy price increase was registered in the CPI during January. As a result, another sharp increase in CPI prices is anticipated in February. The PPI, however, has more favorable seasonal factors in February. Also, the surge in food prices is beginning to abate. Energy prices probably will diminish in March before re-accelerating again in April. This appears to be the result of the latest initiative by Saudi Arabia to reduce production in order to sustain $18 per barrel oil.

The surge in automobile sales in December created a huge surge in the durable goods deflator as a result of the shift in composition. The composition will shift back in January causing a significant moderation in the durable goods deflator. On the other hand, surprisingly sluggish price gains for consumer services should be nearing an end. The CPI showed a sharp increase in housing prices in January following virtually no gains in December. Thus, service inflation should intensify next quarter.

Miscellaneous - The weakness in the leading indicators in January can be ignored because of unusually sharp gains in the indicators during December. Continued gains in stock market prices and a strong gain in the manufacturing work week will add to the indicators in February.

Financial Markets

The Federal Reserve apparently is attempting to restrain money growth in February. This not only is partially responsible for the absence of any substantial growth in the monetary aggregates but also explains the significant slowing in the growth of the monetary base. However, the Federal Reserve appears to have created enough restraint to cause short-term interest rates to rise modestly. We currently believe that the Federal Reserve is willing to tolerate a 6.25% federal funds target for the month of March.

Fortunately, Federal Reserve restraint is occurring at a time when inventory rebuilding is gradually diminishing following a spurt in January. As a result, money growth can slow without any significant increase in short-term interest rates. Previously, we had anticipated that oil prices would be falling during the spring. This would permit the Federal Reserve to ease credit market conditions slightly. However, Saudi Arabia's willingness to serve as swing producer once again in OPEC suggests that inflatonary moderation will not develop. Even with a slowing in inventory rebuilding, enough money demand probably will persist to prevent any significant decline in short-term interest rates during the spring. Indeed, it now appears that very little change will develop in interest rates through the summer months. At the end of summer, interest rates are expected to show modest upward pressure.

Equity Markets - The equity markets continue to be fooled by the increase in reported profitability as a result of gradually rising commodity inflation. Corporate profits still appear to be increasing by nearly 20% as measured by after-tax profits. However, operating profits less tax liabilities should only be up 7% to 8%. This means that a significant distortion is occurring in corporate profitability. Apparently, equity owners continue to ignore the reduced quality of their profits. Moreover, stock markets tend to overshoot estimates of stock market values based upon traditional valuation formulas. The stock market currently is in the process of overshooting and may actually continue to do so, at least until after the latest spate of IRA money is invested after the middle of April. A stock market correction now is anticipated before the end of spring, although a significant decline back to the level of 2000 is not anticipated until the end of the year.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	100826	100826	118.6	118.6	110192	110192	6.9	6.9	170.0	170.0
November	101065	101068	119.3	119.3	110432	110432	6.9	6.9	170.9	170.8
December	101334	101293	119.0	119.0	110637	110637	6.7	6.7	170.8	170.6
January 1987	101542	101741	119.5	119.8	110857	111011	6.7	6.7	171.2	170.8
February	101770	101842	119.8	119.9*	111092	111152*	6.7	6.7*	171.6	171.1*
March	102010	102053	120.2	120.1	111582	111399	6.6	6.6	172.0	171.5
April	102197	102226	120.4	120.3	111723	111617	6.6	6.6	172.3	171.8
May	102378	102416	120.6	120.5	111892	111822	6.6	6.6	172.6	172.2
June	102583	102603	120.8	120.7	111794	112050	6.6	6.6	172.8	172.5
July	102769	102851	121.0	121.0	112093	112403	6.6	6.5	173.2	172.9
August	102979	102994	121.3	121.1	112406	112504	6.7	6.5	173.7	173.4
September	103188	103179	121.5	121.4	112725	112715	6.6	6.5	174.1	173.8
October	103356	103364	121.7	121.6	112846	113007	6.5	6.4	174.5	174.2
November	103532	103546	121.9	121.8	113009	113167	6.5	6.4	174.8	174.6
December	103690	103729	122.1	122.0	113205	113374	6.4	6.4	175.1	175.0
January 1988	103857	103902	122.3	122.2	113398	113529	6.4	6.4	175.9	175.5
February	104060	104086	122.5	122.4	113587	113773	6.4	6.3	176.7	176.1
March	104188	104223	122.6	122.6	113773	113933	6.4	6.3	177.4	176.7

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	3.519	3.518	2.102	2.102	102.8	193.0	2.991	2.990	2.888	2.896
November	3.527	3.524	2.112	2.112	88.2	88.1	2.994	2.991	2.905	2.902
December	3.555	3.547	2.119	2.115	55.7	39.3	3.019	3.004	2.963	2.965
January 1987	3.560	3.548	2.133	2.127	139.3	118.4	3.059	3.027	2.920	2.908
February	3.574	3.562*	2.145	2.135*	119.4	92.6*	3.067	3.039*	2.948	2.946*
March	3.588	3.581	2.157	2.145	106.7	89.0	3.075	3.056	2.968	2.967
April	3.602	3.596	2.165	2.154	108.5	85.8	3.092	3.068	2.984	2.982
May	3.617	3.611	2.173	2.164	108.3	84.6	3.104	3.079	2.996	2.994
June	3.633	3.626	2.180	2.173	111.3	86.5	3.117	3.091	3.006	3.005
July	3.647	3.644	2.191	2.184	103.9	85.2	3.125	3.105	3.021	3.020
August	3.661	3.662	2.203	2.194	91.6	79.0	3.133	3.119	3.041	3.040
September	3.675	3.671	2.215	2.206	79.7	64.2	3.141	3.124	3.061	3.060
October	3.695	3.689	2.222	2.217	84.4	67.0	3.156	3.137	3.072	3.070
November	3.704	3.706	2.231	2.227	75.1	70.6	3.161	3.149	3.086	3.078
December	3.734	3.727	2.240	2.238	87.7	68.2	3.186	3.165	3.098	3.097
January 1988	3.739	3.734	2.254	2.249	104.0	100.0	3.219	3.206	3.115	3.106
February	3.760	3.754	2.262	2.262	106.6	96.3	3.236	3.224	3.129	3.128
March	3.783	3.773	2.270	2.274	110.4	98.0	3.255	3.241	3.145	3.143

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	2789.4	2797.9	391.3	398.2	934.3	934.4	1463.8	1465.3	2423.8	2430.6
November	2806.5	2803.6	386.9	382.3	939.4	938.1	1480.3	1483.3	2432.7	2431.3
December	2863.8	2866.1	434.4	432.5	946.4	946.7	1483.0	1486.9	2478.8	2480.2
January 1987	2820.0	2809.4	375.6	363.0	950.3	948.0	1494.1	1498.3	2428.9	2420.4*
February	2846.8	2843.4*	386.5	379.0*	955.8	954.7*	1504.5	1509.7*	2439.4	2441.5
March	2866.7	2858.2	390.5	379.9	961.2	959.5	1515.0	1518.8	2443.9	2449.0
April	2881.2	2869.3	392.7	378.2	964.8	962.0	1523.7	1529.1	2452.1	2449.6
May	2892.8	2883.9	394.9	381.8	965.9	965.5	1532.0	1536.6	2455.7	2454.1
June	2902.2	2894.9	395.6	382.3	966.3	967.9	1540.3	1544.7	2457.4	2454.1
July	2916.8	2911.4	395.1	384.7	970.6	971.6	1551.1	1555.1	2463.5	2459.2
August	2936.3	2925.7	400.3	386.5	974.7	975.3	1561.3	1563.9	2471.6	2462.4
September	2955.4	2937.0	404.6	384.6	978.8	979.6	1572.0	1572.8	2479.4	2461.5
October	2964.9	2955.4	401.5	390.0	983.0	982.9	1580.4	1582.5	2479.0	2467.9
November	2978.6	2972.6	403.8	392.4	986.7	988.6	1588.1	1591.6	2480.1	2474.2
December	2990.3	2985.5	404.0	391.6	990.5	993.5	1595.8	1600.4	2477.5	2475.7
January 1988	3006.2	2998.8	405.6	394.2	994.3	995.8	1606.3	1608.8	2482.4	2477.7
February	3019.8	3011.9	404.9	395.5	997.1	998.5	1617.8	1617.9	2485.4	2478.1
March	3034.4	3028.8	405.1	397.8	1000.0	1002.5	1629.3	1628.5	2487.2	2483.4

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	121.66	121.66	19.25	19.25	10.3	10.3	73.98	73.98	28.44	28.44
November	120.94	121.06	19.25	19.27	10.5	10.5	74.23	74.04	27.46	27.75
December	126.26	126.59	19.53	19.62	13.6	13.6	74.81	74.75	31.92	32.22
January 1987	120.53	119.27	19.46	19.55	8.8	8.3	75.23	74.73	25.84	25.00
February	121.13	121.77*	19.32	19.50*	9.3	9.7*	75.56	75.26*	26.25	27.01*
March	122.60	122.27	19.30	19.46	9.7	9.7	75.92	75.64	27.38	27.17
April	122.86	122.25	19.35	19.49	9.9	9.6	76.21	75.83	27.30	26.93
May	123.39	122.97	19.40	19.45	10.1	9.9	76.35	76.11	27.64	27.41
June	123.88	123.22	19.47	19.55	10.2	9.8	76.49	76.30	27.92	27.37
July	124.33	124.25	19.50	19.52	10.1	10.1	76.73	76.59	28.10	27.69
August	125.02	124.31	19.56	19.58	10.2	10.2	77.08	76.88	28.38	27.85
September	125.32	124.42	19.53	19.67	10.2	10.0	77.42	77.22	28.37	27.53
October	125.98	125.34	19.58	19.70	10.2	10.1	77.72	77.48	28.68	28.16
November	126.54	126.09	19.55	19.64	10.3	10.3	78.03	77.93	28.96	28.52
December	126.80	126.38	19.50	19.60	10.3	10.2	78.35	78.32	28.95	28.46
January 1988	127.09	126.88	19.57	19.66	10.3	10.3	78.52	78.50	29.00	28.72
February	127.22	127.25	19.64	19.73	10.2	10.3	78.86	78.71	28.72	82.81
March	127.75	127.85	19.71	19.75	10.2	10.4	79.20	79.03	28.84	29.07

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	1.628	1.657	1.085	1.114	1.565	1.565	379.7	384.3	338.1	342.3
November	1.585	1.637	1.087	1.129	1.613	1.613	377.0	378.4	335.3	336.7
December	1.802	1.808	1.209	1.225	1.893	1.910	380.3	374.9	338.0	333.1
January 1987	1.613	1.806	1.088	1.255	1.496	1.689	380.7	378.5	337.8	336.7
February	1.597	1.731*	1.075	1.136*	1.523	1.656*	375.4	377.3*	332.2	335.1*
March	1.610	1.711	1.091	1.149	1.516	1.624	374.7	378.4	331.0	335.5
April	1.633	1.684	1.103	1.131	1.534	1.597	375.6	374.9	331.2	331.8
May	1.641	1.638	1.110	1.116	1.556	1.546	376.4	372.6	331.6	329.4
June	1.641	1.599	1.111	1.093	1.550	1.513	377.7	371.0	332.8	327.4
July	1.631	1.592	1.122	1.086	1.542	1.487	376.8	368.8	331.4	324.9
August	1.620	1.610	1.115	1.099	1.533	1.513	377.3	367.1	331.0	322.9
September	1.621	1.600	1.120	1.078	1.519	1.505	376.8	367.6	329.7	322.5
October	1.626	1.589	1.126	1.086	1.533	1.496	376.0	367.1	328.7	321.5
November	1.609	1.595	1.113	1.094	1.516	1.503	375.9	366.9	327.7	320.4
December	1.621	1.599	1.129	1.106	1.518	1.506	376.5	366.9	327.7	319.6
January 1988	1.621	1.618	1.116	1.082	1.524	1.531	376.8	367.1	327.4	318.9
February	1.636	1.591	1.125	1.075	1.518	1.511	376.7	368.1	326.7	319.3
March	1.623	1.575	1.120	1.073	1.522	1.493	378.4	369.0	327.3	319.2

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	129.1	128.8	71.9	73.6	178.6	181.9
November	128.2	126.5	70.7	69.8	178.0	182.1
December	128.5	125.2	72.2	71.2	179.6	178.6
January 1987	128.6	122.5	72.5	75.2	179.6	180.7
February	127.8	121.3*	71.8	73.6*	175.8	182.4*
March	127.0	120.5	71.0	73.1	176.7	184.8
April	126.8	118.9	72.3	73.4	176.5	182.6
May	126.5	118.3	73.7	74.6	176.2	179.7
June	126.4	118.0	75.1	75.1	176.2	177.9
July	126.6	117.4	74.6	75.5	175.6	175.9
August	126.8	117.1	75.1	75.4	175.4	174.6
September	126.8	117.0	74.9	76.0	175.1	174.6
October	127.5	116.6	73.9	75.6	174.6	174.9
November	128.2	116.3	73.6	75.9	174.1	174.7
December	129.0	116.0	73.8	76.3	173.7	174.6
January 1988	128.0	116.1	74.3	76.5	174.5	174.5
February	126.5	116.0	74.9	76.8	175.3	175.3
March	126.8	116.2	75.6	77.2	176.0	175.6

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	276.0	276.0	103.57	103.57	26.91	26.91	27.72	27.72
November	276.6	276.4	109.27	108.83	28.65	28.44	27.91	27.63
December	275.3	275.5	106.94	110.41	27.74	30.05	28.23	29.21
January 1987	277.8	277.0	103.46	102.97	26.43	24.94	27.06	25.00
February	279.5	278.7*	105.92	107.62*	27.17	25.86*	27.11	26.13*
March	279.3	279.7	106.42	108.46	27.61	26.83	27.56	26.68
April	280.9	281.1	107.72	107.45	28.13	27.24	27.94	27.13
May	282.0	282.2	107.93	108.63	28.52	27.62	28.06	27.46
June	283.0	283.4	106.85	108.13	28.35	27.28	28.04	27.43
July	284.2	284.5	106.14	108.86	28.05	27.29	28.17	27.54
August	285.5	285.7	106.26	109.26	28.19	27.46	28.26	27.59
September	286.5	286.7	106.52	108.67	28.32	27.62	28.35	27.68
October	288.1	288.0	107.83	106.67	28.86	27.83	28.57	27.85
November	289.8	289.3	108.84	107.08	29.03	27.56	28.75	27.92
December	291.1	290.7	110.23	107.63	29.62	27.79	28.93	27.95
January 1988	292.7	292.0	106.92	108.54	27.46	28.26	28.56	28.13
February	294.0	293.6	108.25	108.86	28.05	28.15	28.82	28.29
March	295.0	295.1	108.59	109.28	28.46	28.35	29.00	28.43

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	591.6	591.6	8.01	8.01	125.3	125.3	79.0	79.0
November	590.6	589.9	8.69	8.69	126.0	126.0	79.4	79.4
December	590.5	587.2	8.43	9.18	126.6	126.4	79.6	79.5
January 1987	593.7	593.5*	8.46	7.42	126.9	126.9	79.7	79.7
February	597.5	597.3	8.59	7.86*	127.1	127.7*	79.9	80.1*
March	597.9	600.2	8.73	8.09	127.4	128.0	79.9	80.1
April	599.4	603.6	8.56	8.39	127.6	128.3	79.9	80.1
May	602.2	605.3	8.82	8.53	127.8	128.6	79.9	80.2
June	604.8	607.6	8.87	8.66	128.1	128.8	80.0	80.1
July	607.3	609.5	8.83	8.73	128.1	129.1	79.8	80.1
August	609.5	611.8	8.76	8.70	128.2	129.2	79.7	80.0
September	611.4	614.1	9.36	9.13	128.7	129.5	79.9	80.0
October	614.2	616.5	8.92	8.67	129.2	129.8	80.2	80.1
November	618.3	618.9	8.95	8.73	129.6	130.0	80.3	80.1
December	621.0	621.7	9.00	8.89	129.8	130.2	80.3	80.0
January 1988	624.6	624.8	9.12	8.85	130.0	130.5	80.3	80.0
February	626.9	627.9	9.16	8.93	130.0	130.7	80.1	80.0
March	628.6	630.6	9.21	8.99	130.1	130.8	80.	79.9

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	329.8	329.8	290.3	290.3	309.3	309.3	115.0	115.0
November	330.7	330.7	290.9	290.9	309.6	309.6	115.3	115.2
December	331.5	331.5	290.9	290.9	309.3	309.3	115.6	115.4
January 1987	333.0	334.0	291.8	291.7	312.3	313.6	116.1	115.9
February	334.7	335.7*	294.0	293.2*	314.7	315.8*	116.6	116.3*
March	335.5	336.6	295.1	294.6	316.5	316.0	117.1	116.5
April	336.2	337.8	295.6	296.2	314.7	316.4	117.4	116.9
May	337.0	339.1	296.2	297.1	312.8	317.2	117.6	117.3
June	338.7	340.4	296.8	298.1	312.4	317.6	117.6	117.7
July	339.5	341.3	297.5	298.8	313.0	318.1	118.0	118.1
August	340.1	342.3	298.2	299.4	314.3	318.5	118.5	118.5
September	340.7	343.6	298.9	300.2	312.9	316.3	118.9	119.0
October	341.9	344.8	300.0	301.1	315.7	319.8	119.1	119.4
November	343.4	345.7	301.0	301.5	316.1	320.4	119.3	119.8
December	345.0	346.9	302.1	302.3	316.5	321.1	119.6	120.2
January 1988	346.0	348.1	303.1	303.1	318.3	322.5	120.1	120.7
February	347.0	349.3	304.2	304.1	320.2	324.0	120.7	121.1
March	348.1	350.5	305.4	305.3	322.0	325.4	121.3	121.5

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	115.1	115.1	105.4	105.6	107.1	107.1	124.0	124.0	112.3	112.3
November	115.4	115.3	105.7	105.4	107.3	107.3	124.3	124.2	112.4	112.4
December	115.5	115.6	106 5	106.9	107.5	107.8	124.5	124.2	112.5	112.5
January 1987	116.1	116.1*	106.0	106.0*	108.3	108.4*	125.0	124.5*	112.7	112.4
February	116.7	116.5	106.2	106.2	109.1	109.0	125.5	124.9	113.0	112.6*
March	117.3	116.7	106.5	106.4	109.6	109.3	126.1	125.2	113.2	112.8
April	117.5	117.1	106.7	106.7	109.8	109.6	126.6	125.6	113.4	113.0
May	117.8	117.5	106.9	107.0	109.8	110.0	126.9	126.0	113.5	113 1
June	118.1	118.0	107.2	107.3	109.9	110.4	127.3	126.5	113 5	113.3
July	118.4	118.4	107.4	107.5	110.1	110.8	127.9	127.0	113.7	113.5
August	118.8	118.8	107.6	107.8	110.4	111.3	128.4	127.4	114.0	113.7
September	119.2	119.3	107.8	108.1	110.7	111.7	128.8	128.0	114.3	114.0
October	119.6	119.8	108.0	108.4	111.1	112.0	129.3	128.6	114.4	114.2
November	120.1	120.1	108.3	108.7	111.6	112.3	129.9	129.1	114.7	114.5
December	120.7	120.6	108.6	109.0	112.0	112.7	130.5	129.6	114.9	114.8
January 1988	121.1	121.0	108.8	109.3	112.4	113.1	131.1	130.1	115.1	115.1
February	121.5	121.5	109.0	109.7	112.7	113.5	131.6	130.7	115.3	115.3
March	122.0	122.0	109.3	109.9	113.1	113.9	132.1	131.2	115.6	115.6

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	-14.71	-12.06	180.4	180.0	4250	4246	3696	3692	-6.3	-6.3
November	-19.22	-19.22	182.5	181.4	4268	4262	3702	3700	-9.4	-9.0
December	-11.66	-10.66	184.1	185.6	4287	4274	3708	3704	-11.3	-9.6
January 1987	-15.25	-14.78p	182.9	183.8	4309	4305	3711	3714	-16.3	-13.5
February	-14.37	-14.05	183.4	184.9	4347	4339	3728	3731	-20.5	-16.2
March	-13.79	-13.56	183.0	184.2	4380	4365	3740	3747	-23.9	-12.8
April	-14.88	-13.92	183.9	184.5	4396	4388	3744	3753	-7.3	-14.3
May	-14.55	-13.55	184.3	183.7	4413	4406	3753	3756	-1.4	-11.6
June	-13.95	-13.41	184.8	184.3	4430	4424	3767	3759	-4.8	-9.5
July	-14.43	-12.86	185.1	184.9	4449	4445	3770	3764	-5.9	-8.4
August	-14.41	-13.05	184.7	184.8	4468	4467	3770	3770	-7.0	-7.3
September	-13.59	-13.42	184.2	184.3	4486	4495	3773	3777	-8.1	-8.8
October	-13.92	-12.96	183.6	183.9	4507	4523	3784	3788	-11.6	-10.2
November	-13.44	-12.78	183.1	184.5	4533	4542	3799	3791	-14.3	-13.5
December	-13.03	-12.71	183.7	184.7	4560	4569	3813	3801	-17.0	-15.6
January 1988	-14.43	-11.43	184.4	185.3	4581	4598	3814	3809	-16.3	-13.9
February	-14.02	-11.86	184.9	185.0	4600	4620	3811	3815	-15.8	-15.1
March	-13.90	-11.59	184.3	184.6	4619	4640	3808	3819	-15.4	-15.6

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	250.8	250.8	701.2	701.4	2765.2	2760.3	5.85	5.85	5.26	5.26
November	252.9	252.8	713.5	712.4	2781.4	2774.3	6.04	6.04	5.41	5.41
December	254.9	255.3	730.4	730.4	2804.3	2797.8	6.91	6.91	5.55	5.55
January 1987	257.3	258.8	735.3	737.6	2826.5	2819.0	6.15	6.15	5.47	5.43
February	259.2	259.3*	738.4	737.0*	2841.6	2823.2*	6.22	6.21*	5.43	5.52*
March	261.1	260.4	744.5	740.8	2856.8	2837.8	6.02	6.15	5.45	5.46
April	262.5	261.9	750.6	745.1	2873.4	2854.3	5.64	5.93	5.33	5.40
May	264.0	263.3	755.3	747.8	2895.5	2871.4	5.53	5.78	5.25	5.28
June	265.6	264.9	759.9	752.3	2917.3	2891.5	5.51	5.84	5.18	5.33
July	267.4	266.3	765.3	755.8	2932.4	2911.7	5.27	5.78	5.03	5.37
August	269.1	267.8	771.0	760.6	2945.6	2932.1	5.34	5.85	5.09	5.42
September	270.8	269.1	776.8	764.2	2958.1	2952.6	5.53	5.98	5.15	5.48
October	272.2	270.5	780.1	767.7	2976.4	2973.3	5.82	6.15	5.37	5.69
November	273.9	272.2	783.4	772.0	2997.9	2994.1	5.93	6.23	5.42	5.78
December	275.5	273.8	786.8	777.6	3018.8	3015.8	6.03	6.28	5.48	5.83
January 1988	276.9	275.2	791.2	782.1	3034.6	3033.3	6.15	6.25	5.53	5.80
February	278.9	276.6	795.1	785.8	3049.1	3051.5	6.19	6.37	5.60	5.85
March	280.8	278.3	799.0	790.9	3064.0	3067.3	6.18	6.42	5.56	5.94

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October	8.86	8.86	7.08	7.08	5.68	5.68	5.69	5.69	7.50	7.50
November	8.68	8.68	6.85	6.85	5.76	5.76	5.76	5.76	7.50	7.50
December	8.49	8.49	6.86	6.86	6.10	6.10	6.04	6.04	7.50	7.50
January 1987	8.46	8.38	6.53	6.53	6.10	5.85	6.05	5.87	7.50	7.50
February	8.55	8.49*	6.67	6.54*	6.13	6.10	6.15	6.17	7.50	7.50*
March	8.51	8.46	6.62	6.51	6.00	6.07	6.07	6.14	7.50	7.50
April	8.43	8.37	6.53	6.45	5.56	5.86	5.63	6.01	7.50	7.50
May	8.41	8.35	6.50	6.42	5.43	5.69	5.52	5.83	7.50	7.50
June	8.29	8.42	6.43	6.49	5.28	5.75	5.35	5.87	7.29	7.50
July	8.25	8.46	6.37	6.53	5.20	5.72	5.29	5.85	7.00	7.50
August	8.37	8.51	6.49	6.58	5.29	5.80	5.34	5.91	7.00	7.50
September	8.49	8.55	6.61	6.63	5.52	6.11	5.63	6.23	7.48	7.50
October	8.75	8.73	6.84	6.77	5.78	6.17	5.89	6.28	7.50	7.86
November	8.85	8.89	6.93	6.92	5.93	6.27	5.98	6.36	7.61	8.00
December	8.92	8.96	7.00	6.99	6.05	6.32	6.19	6.43	7.75	8.00
January 1988	9.03	9.14	7.12	7.15	6.17	6.26	6.31	6.40	7.75	8.00
February	8.90	9.11	6.99	7.13	6.22	6.38	6.37	6.47	7.75	8.00
March	8.92	9.12	7.01	7.15	6.20	6.43	6.33	6.55	7.75	8.12

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